Additional Tax Information for Winder Power Holdings Limited (Year Ended 31 March 2021)

This additional tax information ensures that the group of companies headed by Winder Power Holdings Limited ("the Group") meets the standards and requirements of the Fair Tax Foundation's Solely UK-based Business Standard for the Fair Tax Mark certification.

The consolidated loss before tax for the year ended 31 March 2021 was £1,982,261 (2020: £330,484), while the accounting total tax credit for the year was £183,663 (2020: £211,023). This total tax credit comprises a current tax credit of £205,063 (2020: £253,808) and a deferred tax charge of £21,400 (2020: £42,785).

The expected current tax credit for the year at UK headline tax rate of 19.0% was £376,630 (2020: £62,792). The reason that the actual current tax credit for the Group varies from what would be expected is explained below in the following tax reconciliation with accompanying narratives:

Consolidated Income Statement

	31-Mar-21	**31-Mar-20**
	£	**£**
Turnover	17,613,489	17,704,296
Cost of sales	(14,208,032)	(14,292,294)
Gross Profit	3,405,457	3,412,002
Other operating income	98,017	-
Distribution costs	(222,536)	(197,847)
Administrative expenses	(4,979,935)	(3,149,934)
Operating (loss)/profit	(1,698,997)	64,221
Interest payable and expenses	(283,264)	(394,705)
Loss before tax	(1,982,261)	(330,484)
Tax credit on loss	183,663	211,023
Net loss for the year	(1,798,598)	(119,461)

Tax Reconciliation

Loss before tax	(1,982,261)	(330,484)
Expected tax credit (19.0%)	**(376,630)**	**(62,792)**
1. Expenses and interest not deductible for tax purposes	27,826	24,860
2. Accelerated capital allowances	(3,198)	(8,728)
3. Amortisation and impairments on consolidation	357,010	24,071
4. Losses (utilised)/carried forward	(5,008)	22,589
5. Research and Development (R&D) expenditure tax credits	(205,063)	(253,808)
Actual current tax credit	**(205,063)**	**(253,808)**
Movements in deferred tax	21,400	42,785
Total tax credit	**(183,663)**	**(211,023)**

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Explanatory Footnotes

[1] **Expenses and interest not deductible for tax purposes** – Some business expenses, although entirely appropriate for inclusion in our financial statements, are not allowed as a deduction against taxable income when calculating the tax liability. Examples of such expenses are: client entertaining; and fines and penalties.

[2] **Accelerated capital allowances** – The accounting treatment of capital assets is usually different than the tax treatment allowable. This is because, in the accounts, an asset is depreciated over its useful economic life. Whereas capital allowances are set rules in tax law applied to the type of asset. The differences, however, between the depreciation rate in the accounts and capital allowances claimed in the corporation tax return – are only timing differences – as eventually, the accumulated depreciation and the capital allowances claimed will equal one another.

[3] **Amortisation and impairments on consolidation** – The income statement presented on page 1 shows consolidated profit and loss information for both Winder Power Holdings Limited and its subsidiary, Winder Power Limited. The Group's consolidated accounts are subject to consolidation accounting adjustments that do not affect the individual financial results and tax computations of the parent company and its subsidiary. In the Group's case, amortisation of goodwill on consolidation is charged to the consolidated income statement as an expense for both the years ended 31 March 2021 and 31 March 2020, but this is not an allowable deduction for tax purposes.

For the year ended 31 March 2021, a significant goodwill impairment cost is recognised in arriving at the consolidated loss before tax of £1,982,261, but again this is not allowable for the purpose of calculating corporation tax chargeable. The goodwill impairment relates to an adjustment to the carrying value of the parent company's investment in its subsidiary.

[4] **Losses (utilised)/carried forward** – Tax losses from earlier periods can be carried forward and relieved against future profits, so that the correct amount of tax is applied to the overall historic profits generated, and not just for that period. Once the tax losses have all been used, tax will then become chargeable on the profits generated thereafter.

[5] **Research and Development (R&D) expenditure tax credits** – R&D tax reliefs support companies that work on innovative projects in science and technology. It can be claimed by a range of companies that seek to research or develop an advance in their field. There are different types of R&D relief, depending on the size of the organisation. Winder Power Limited is classed as a 'Small and Medium sized Enterprise' and therefore can claim an extra 130% deduction on qualifying costs; and if the company is loss making, claim a tax credit worth up to 14.5% of the surrenderable loss available.

The Group has been loss making during the periods under review and so has claimed tax credits at a rate of 14.5% on surrenderable losses available.

For the year ended 31 March 2021, the Group's tax credit of £205,063 is attributable to an estimated claim for the year ended 31 March 2021 and an actual calculated claim for a previous accounting period.

For the year ended 31 March 2020, the Group's tax credit of £253,808 comprises actual calculated claims for two previous accounting periods.

Deferred Tax

As at 31 March 2021, the Group had a deferred tax liability of £242,100 in respect of accelerated capital allowances; and a deferred tax asset of £4,767 in respect of other timing differences, after debiting £21,400 (2020: £42,785) to the income statement to reduce the total tax credit for the year in the accounts.

The Group expects the accelerated capital allowances liability to unwind and increase corporation tax charges over the useful economic lives of the assets against which the capital allowances have been claimed. However, the Group benefited from a reduction to its corporation tax charges when capital allowances were claimed on an accelerated basis at the time of assets being purchased.

Footnote 2 to the tax reconciliation (see above) also explains the principle of accelerated capital allowances in further detail.